

**REPORT ON EXAMINATION**  
**OF**  
**ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY**  
**AS OF**  
**DECEMBER 31, 2021**

TRINIDAD NAVARRO  
COMMISSIONER



STATE OF DELAWARE  
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION  
OF  
ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro  
Insurance Commissioner

Dated this 28<sup>th</sup> day of June, 2023

## TABLE OF CONTENTS

SCOPE OF EXAMINATION .....	1
SUMMARY OF SIGNIFICANT FINDINGS.....	3
COMPANY HISTORY .....	3
CAPITALIZATION .....	5
DIVIDENDS .....	5
MANAGEMENT AND CONTROL.....	5
DIRECTORS .....	5
OFFICERS.....	6
CORPORATE RECORDS.....	6
INSURANCE HOLDING COMPANY SYSTEM.....	6
AGREEMENTS WITH AFFILIATES .....	7
TERRITORY AND PLAN OF OPERATION.....	9
TERRITORY .....	9
PLAN OF OPERATION .....	10
REINSURANCE .....	10
FINANCIAL STATEMENTS.....	11
STATEMENT OF ASSETS .....	12
STATEMENT OF LIABILITIES AND SURPLUS.....	13
STATEMENT OF INCOME.....	14
CAPITAL & SURPLUS ACCOUNT.....	15
RECONCILIATION OF CAPITAL AND SURPLUS .....	16
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION.....	17
COMMENTS ON FINANCIAL STATEMENT ITEMS .....	17
SUBSEQUENT EVENTS.....	17
SUMMARY OF RECOMMENDATIONS.....	17

May 17, 2023

Honorable Trinidad Navarro  
Commissioner of Insurance  
Delaware Department of Insurance  
1351 West North Street  
Suite 101  
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.018, dated January 11, 2022, an examination has been made of the affairs, financial condition and management of

**ENDURANCE AMERICAN SPECIALTY INSURANCE COMPANY**

hereinafter referred to as the Company or EASIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its home office located at 1209 Orange Street, Wilmington, Delaware. The administrative office of the Company is located at, 4 Manhattanville Road, Purchase, New York.

**SCOPE OF EXAMINATION**

The Delaware Department of Insurance (Department) performed a risk-focused financial examination of the Company. The previous regulatory examination of the Company covered the four-year period from January 1, 2013 through December 31, 2016. This examination will covers the five-year period from January 1, 2017 through December 31, 2021.

The examination of the Company was performed as part of the multi-state coordinated examination of Sampo U.S. Group (Sampo Group) of companies as of December 31, 2021. The Department was the lead state for the Sampo Group examination.

The examination was conducted concurrently with that of its affiliates:

<u>Name</u>	<u>Domicile</u>
Endurance Assurance Corporation (EAC)	DE
Endurance American Insurance Company (EAIC)	DE
Endurance Risk Solutions Assurance Co. (EASAC)	DE
Endurance Specialty Insurance Ltd. U.S. Reinsurance Trust (ESIL-MBT)	DE
Endurance Specialty Insurance Ltd. U.S. Reduced Collateral Reinsurance Trust (ESIL-RCT)	DE
Sampo Fire & Marine Insurance Company (SAFM)	NY
Sampo America Insurance Company (SAIC)	NY
Bond Safeguard Insurance Company (BSIC)	SD
American Agri-Business Insurance Company (AA-BIC)	TX
Lexon Insurance Company (LIC)	TX

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by

management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm Ernst & Young, LLP (E&Y). Certain auditor work papers of the 2021 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

#### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings or material changes in financial statements as a result of this examination.

#### **COMPANY HISTORY**

The Company, formerly named Traders and Pacific Insurance Company (TPIC), was incorporated in Delaware on September 9, 1982, as a property and casualty insurance company. Its original Certificate of Authority was issued on September 20, 1983, and authorized the Company to transact the business of property, marine and transportation and casualty insurance. TPIC was a member of the Houston General Insurance Group

Endurance American Specialty Insurance Company

(Houston General) and a wholly owned subsidiary of Houston General Insurance Company. Houston General and its subsidiaries were in turn owned by Tokyo Marine and Fire Insurance Company, Limited, of Tokyo, Japan.

Effective January 1, 1998, Houston General and its subsidiaries, including TPIC, were acquired by Commercial Union plc, a United Kingdom corporation. Immediately after closing, Commercial Union contributed the stock of Houston General to Commercial Union Assurance Company plc, which in turn contributed the Houston General stock to Commercial Union Corporation, a U.S. holding company. On June 1, 2001, Commercial Union, including Houston General and its subsidiaries, were acquired by White Mountains Insurance Group, Ltd. In January 2002, the stock of Houston General was sold to OneBeacon Insurance Company (OneBeacon), a White Mountains subsidiary, to facilitate reactivating the Company, which had been in run off since its acquisition of Commercial Union in 1998.

Effective August 1, 2005, the stock of the Company was acquired by Endurance Reinsurance Corporation of America (now known as EAC). The Company was acquired as a clean shell with all outstanding liabilities being assumed by the seller. Subsequent to its acquisition, EAC contributed \$60 million to the Company's paid in surplus under two separate contributions: \$50 million on September 30, 2005 and \$10 million on December 20, 2005. These contributions allowed the Company to immediately resume writing direct business.

Effective June 8, 2006, the name of the Company was changed to EASIC. As of September 30, 2006, EAC contributed all of the issued and outstanding shares of the Company to EAIC, a wholly owned subsidiary of EAC.

On March 28, 2017, the Company became part of the Sompo Holdings, Inc. (Sompo

Holdings) insurance holding company system and control was acquired through the acquisition of 100% of the outstanding ordinary shares of parent Endurance Specialty Holdings Ltd. (ESHL). Sompo Holdings created a holding company, Sompo International Holdings, Ltd. (SIHL), domiciled in Bermuda, who owns Endurance Specialty Insurance Ltd. (ESIL), also domiciled in Bermuda, and the Sompo Group.

### Capitalization

The Company's Certificate of Incorporation authorizes the issue of 5,000,000 shares of common stock with a \$1.00 par value. As of December 31, 2021, the Company had 4,000,000 common shares issued and outstanding totaling \$4,000,000. All outstanding common shares of the Company are owned by EAIC. As of December 31, 2021, the Company reported gross paid in and contributed surplus of \$382,550,000.

### Dividends

The Company's Board of Directors (Board) did not approve or authorize any dividends during the exam period.

## **MANAGEMENT AND CONTROL**

### Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and Bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board. In accordance with the Company's bylaws, the number of Directors shall consist of not less than one member and the total number of directors shall be determined by the Board. Directors shall be elected annually by the sole stockholder and shall hold office until their successors are elected and qualified, or until earlier resignation or removal. The members of

the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company Bylaws, were as follows:

<u>Name</u>	<u>Affiliation</u>
Christopher Brian Gallagher	Chief Executive Officer, Commercial P&C, SIHL
Windy Lee Lawrence	General Counsel, SIHL
Michael James McGuire	Chief Financial Officer, SIHL

### Officers

In accordance with its bylaws, the required election of officers includes one or more presidents, a treasurer and a secretary. The Board may also elect a chairman, executive vice presidents, vice presidents and such assistant secretaries and assistant treasurers as they may deem proper. The senior officers, duly appointed in accordance with the Bylaws and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Christopher Louis Sparro	President
Entela Hana	Treasurer
Daniel Simeon Lurie	Secretary

### Corporate Records

The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

### Insurance Holding Company System

The Company is a member of an insurance holding company system as it is defined under 18 *Del. C.* § 5001 (7) of the Delaware Insurance Code.

The controlling person was ESHL, a Bermuda corporation, which is primarily engaged through its subsidiaries in the business of property and casualty insurance and reinsurance. Effective March 28, 2017, control was acquired through the acquisition of 100% of the outstanding ordinary shares of ESHL by Sompo Holdings, a Japanese domestic company.

An abbreviated organizational chart of Sompo Holdings, as of December 31, 2021, is as follows (ownership of subsidiaries is 100% unless otherwise noted):

Sompo Holdings, Inc. (Japan)

    Sompo Japan Insurance Inc. (Japan)

        Sompo International Holdings Ltd. (Bermuda)\*

            Endurance Specialty Insurance Ltd. (Bermuda)

            (U.S. Reinsurance Trust)\*\*

            (U.S. Reduced Collateral Reinsurance Trust)\*\*

        Endurance U.S. Holdings Corp. (DE)

            Agri-Sompo North America, Inc. (TX)

                American Agri-Business Insurance Company (TX)

            Endurance Assurance Corporation (DE)

                Sompo America Insurance Company (NY)

                Sompo America Fire & Marine Insurance Company (NY)

                Endurance Risk Solutions Assurance Co. (DE)

                Endurance American Insurance Company (DE)

**Endurance American Specialty Insurance Company (DE)**

            Lexon Insurance Company (TX)

            Bond Safeguard Insurance Company (SD)

\* Effective September 2017, ESHL transferred substantially all of its assets (including the U.S. Reinsurance Trust and the U.S. Reduced Collateral Reinsurance Trust) and liabilities to its affiliate, SIHL, a Bermuda corporation. Subsequently, ESHL was liquidated.

\*\* The U.S. Reinsurance Trust and the U.S. Reduced Collateral Reinsurance Trust are wholly owned trust accounts of ESIL. They are not entities or “subsidiaries” as that term is commonly understood in the context of an insurance holding company system.

### Agreements with Affiliates

#### *Administrative Services Agreement*

Effective April 1, 2018, the Company entered into a Second Amended and Restated Administrative Services Agreement among with SIHL which allows for the sharing of

management and administrative services among the various participating entities. This agreement replaced all prior administrative services agreements.

*Credit Facility*

On November 2, 2017, the Company became a Subsidiary Obligor under the Uncommitted Letter of Credit and Reimbursement agreement by and between SIHL, various subsidiary Obligors and the Mizuho Bank, Ltd. (Mizuho Credit Facility). The Mizuho Credit Facility is an unsecured credit facility with a capacity of \$1,250,000,000. The Mizuho Credit Facility requires compliance with certain customary restrictive covenants. The Company has not accessed the Mizuho Credit Facility as of the examination date.

On December 21, 2017, the Company became an applicant under the Continuing Letter of Agreement (for standby Letters of Credit) by and between SIHL, various applicants and Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU Credit Facility). The BTMU Credit Facility is an unsecured credit facility with a capacity of \$500,000,000. The BTMU Credit Facility requires compliance with certain customary restrictive covenants. The Company has not accessed the BTMU Credit Facility as of the examination date.

On March 23, 2016, the Company became a Designated Subsidiary Borrower under a \$450 million five-year revolving Credit Facility by and among SIHL, various designated subsidiary borrowers, various lenders and JPMorgan Chase Bank, N.A (JP Morgan) as the administrative agent (JPM Credit Facility). On April 13, 2018, SIHL notified JP Morgan that the lenders' commitment under the JPM Credit Facility was reduced from \$450 million to \$100 million. The JPM Credit Facility is collateralized on a several basis by each entity incurring an obligation with cash and securities deposited into collateral accounts with Deutsche Bank Trust Company Americas as collateral agent. The JPM Credit Facility expired on March 31, 2021.

*Financial Guaranty*

Effective October 5, 2007, EAC entered into an unconditional financial guaranty whereby EAC guarantees EASIC's minimum capital and surplus at the greater of regulatory action risked-based capital or the minimum requirements for capital and surplus, each in the amount of \$500,000. The guaranty was required in order for EASIC to obtain surplus lines eligibility in the State of Maine.

*Program Management Agreement*

Effective August 1, 2005, a Program Management Agreement was entered into, by and between EASIC, Endurance Specialty Insurance Marketing Corp. (ESIMC) and Endurance Specialty Insurance Marketing Corp. of Illinois (ESIMC-IL). Under this agreement, ESIMC and ESIMC-IL are appointed as program managers for the purpose of underwriting and administering certain commercial special risk property and casualty insurance coverages.

*Consolidated Tax Allocation Agreement*

Effective June 5, 2006, the Company became a party to a Consolidated Tax Allocation Agreement with EUSH. The agreement sets forth the manner in which the total consolidated federal income tax liability or benefit is allocated to each entity in the group as if separate tax returns were filed. Various amendments were added to include additional affiliates over the exam period.

**TERRITORY AND PLAN OF OPERATION**

Territory

The Company is licensed in Delaware as a domestic surplus lines insurer and is eligible to write surplus lines in all states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. For the year ended December 31, 2021, the Company wrote 49.41% of its

business in the states of California (18.06%), Florida (9.77%), New York (8.49%), Texas (8.13%) and Illinois (4.96%).

Plan of Operation

EASIC's products are only available through licensed excess and surplus lines brokers. EASIC offers property, marine/energy, aviation, casualty and other professional lines and agriculture (through the Pool) insurance and reinsurance and related services. It serves the insurance and reinsurance needs of risk managers and reinsurance buyers.

**REINSURANCE**

The Company reported the following distribution of premiums written for the years ended December 31, 2021, and the prior examination date of December 31, 2016:

	2021	% GPW	2016	% GPW
Direct Written	\$ 1,624,565,672	71.42%	\$ 488,622,054	79.07%
Reinsurance assumed from affiliates	650,082,434	28.58%	129,299,814	20.92%
Reinsurance assumed from non- affiliates	(2,961)	0.00%	34,982	0.01%
Gross premiums Written	<u>\$ 2,274,645,145</u>	100.00%	<u>\$ 617,956,850</u>	100.00%
Reinsurance ceded to affiliates	1,624,562,711	71.42%	488,657,036	79.08%
Reinsurance ceded to non -affiliates	-	0.00%	-	0.00%
Total Ceded	<u>\$ 1,624,562,711</u>	71.42%	<u>\$ 488,657,036</u>	79.08%
Net premium written	<u>\$ 650,082,434</u>	28.58%	<u>\$ 129,299,814</u>	20.92%

Intercompany Pooling Agreement

EASIC is party to an intercompany reinsurance pooling agreement. The Pooling Agreement, effective January 1, 2009, and amended effective January 1, 2012, provides for EASIC and ERSAC to cede 100% of their gross premiums, losses, insurance expenses and other related underwriting activity to EAIC. EAIC, after the placement of reinsurance to both external and affiliated companies, cedes the net business of the Pool to EASIC and

ERSAC based on their pooling percentages of 27% and 20% respectively. EAIC retains 53% of the Pool's net business.

### Ceded Reinsurance

The Company purchases of reinsurance are coordinated with the Sampo Group. The Sampo Group purchases reinsurance from highly rated domestic and international reinsurers. The Sampo Group utilizes reinsurance to manage underwriting risks. It cedes to a 1 in 250-year probable maximum loss to reported group capital which is comparable to its peers. In the reinsurance segment, the Sampo Group purchases proportional and excess of loss retrocessional coverage on the catastrophe line of business and proportional coverage on the specialty line of business. The Sampo Group's insurance operating subsidiaries use proportional and excess reinsurance to protect larger limits on certain business written by the insurance segment. The Sampo Group's agriculture insurance line of business participates in a crop reinsurance program sponsored by the U.S. federal government and utilizes third-party reinsurance covers. Excess reinsurance coverage is purchased in relation to the property insurance line of business to protect against catastrophic events.

## **FINANCIAL STATEMENTS**

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period December 31, 2016 to December 31, 2021

STATEMENT OF ASSETS  
As of December 31, 2021

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2021
Bonds	\$ 734,575,564	\$ -	\$ 734,575,564
Common stocks (stocks)	-	-	-
Real Estate	-	-	-
Cash	259,632,785	-	259,632,785
Cash equivalents	-	-	-
Short Term Investments	-	-	-
Other invested assets	-	-	-
Receivables for securities	1,268,268	-	1,268,268
Subtotals, cash and invested assets	<u>\$ 995,476,617</u>	<u>\$ -</u>	<u>\$ 995,476,617</u>
Investment income due and accrued	2,878,968		2,878,968
Uncollected premiums and agents' balances in the course of collection	263,703,604	5,755,969	257,947,635
Deferred premiums	235,670,757	-	235,670,757
Accrued retrospective premiums	-	-	-
Amounts recoverable from reinsurers	42,916,403	-	42,916,403
Funds held by or deposited with reinsured companies	-	-	-
Current federal and foreign income tax recoverable and interest thereon	-	-	-
Net deferred tax asset	24,802,500	2,506,132	22,296,368
Electronic data processing equipment software	-	-	-
Furniture and equipment, including healthcare delivery assets	-	-	-
Receivables from parent; subsidiaries and affiliates	32,736,087	-	32,736,087
Aggregate write-ins for other than invested assets:	<u>32,179</u>	<u>25,824</u>	<u>6,355</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 1,598,217,115</u>	<u>\$ 8,287,925</u>	<u>\$ 1,589,929,190</u>
From Separate Accounts, Segregated Accounts and Pro	-	-	-
Total	<u>\$ 1,598,217,115</u>	<u>\$ 8,287,925</u>	<u>\$ 1,589,929,190</u>

**STATEMENT OF LIABILITIES AND SURPLUS**  
As of December 31, 2021

		Notes
Losses	\$ 430,942,966	1
Reinsurance payable on paid losses and loss adjustment expenses	397,032	
Loss adjustment expenses	64,500,143	1
Commissions payable; contingent commissions and other similar charges	(399,316)	
Other expenses (excluding taxes; licenses and fees)	282,909	
Taxes, licenses, and fees (excluding federal and foreign income tax)	1,421,324	
Current federal and foreign income taxes	4,417,340	
Borrowed Money and interest	-	
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$910,319,539 and including warranty reserves of \$0)	289,576,837	
Advance Premium	-	
Ceded reinsurance premiums payable (net of ceding commissions)	254,517,374	
Funds held by company under reinsurance treaties	80,016,437	
Amounts withheld or retained by company for account of others	73,799,375	
Remittances and items not allocated	21,638,354	
Provision for reinsurance (including \$0 certified)	-	
Net adjustments in assets and liabilities due to foreign exchange rates	-	
Payable to parent, subsidiaries and affiliates	19,042,827	
Payable for securities	6,933,017	
Aggregate write-ins for liabilities	14,715,091	
Total liabilities excluding protected cell liabilities	<u>\$ 1,261,801,710</u>	
Total liabilities	<u>\$ 1,261,801,710</u>	
Aggregate write-ins for special surplus funds	-	
Common capital stock	4,000,000	
Gross paid in and contributed surplus	382,550,000	
Unassigned funds (surplus)	<u>(58,422,520)</u>	
Surplus as regards policyholders	<u>\$ 328,127,480</u>	
Totals of liabilities & surplus	<u>\$ 1,589,929,190</u>	

STATEMENT OF INCOME  
For the Year Ended December 31, 2021

Underwriting Income

Premiums earned	\$ <u>570,560,664</u>
Deductions	
Losses incurred	\$ 400,616,087
Loss adjustment expenses incurred	40,652,946
Other underwriting expenses incurred	<u>96,891,647</u>
Total underwriting deductions	\$ <u>538,160,680</u>
Net underwriting gain (loss)	\$ <u>32,399,984</u>

Investment Income

Net investment income earned	\$ 11,198,188
Net realized capital gains (losses) less capital gains tax of \$295,129	<u>1,319,101</u>
Net investment gain (loss)	\$ <u>12,517,289</u>

Other Income

Net gain (loss) from agents' or premium balances charged off (amount recovered \$0..... amount charged off \$.....67,541)	\$ (67,541)
Aggregate write-ins for miscellaneous income	<u>24,150</u>
Total other income	\$ <u>(43,391)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ <u>44,873,882</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 44,873,882
Federal and foreign income taxes incurred	<u>15,731,910</u>
Net Income	<u>\$ 29,141,972</u>

CAPITAL & SURPLUS ACCOUNT  
For the Year Ended December 31, 2021

Surplus as regards to policyholders; December 31 prior year	\$ 259,479,838
Net income	29,141,972
Change in net unrealized capital gains (losses) less capital gains tax of .....\$2,017	51,013
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	7,876,768
Change in nonadmitted assets	(3,422,111)
Change in provision for reinsurance	-
Surplus adjustment: Paid in	35,000,000
Transferred to Capital (Stock Dividend)	-
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	-
Change in surplus as regards policyholders for the year	<u>\$ 68,647,642</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$ 328,127,480</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS  
As of December 31, 2016 to December 31, 2021

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus		Total
12/31/2016	\$ 4,000,000	\$ 221,550,000	\$ (120,269,070)		\$ 105,280,930
12/31/2017			(6,037,840)	(1)	(6,037,840)
12/31/2017			730,918	(2)	730,918
12/31/2018			(5,728,519)	(1)	(5,728,519)
12/31/2018			(2,796,658)	(2)	(2,796,658)
12/31/2018		80,000,000		(3)	80,000,000
12/31/2019			10,488,730	(1)	10,488,730
12/31/2019			435,788	(2)	435,788
12/31/2019		21,000,000		(3)	21,000,000
12/31/2020			13,449,154	(1)	13,449,154
12/31/2020			17,657,335	(2)	17,657,335
12/31/2020		25,000,000		(3)	25,000,000
12/31/2021			29,141,972	(1)	29,141,972
12/31/2021			4,505,670	(2)	4,505,670
12/31/2021		35,000,000		(3)	35,000,000
<b>Total</b>	<b>\$ 4,000,000</b>	<b>\$ 382,550,000</b>	<b>\$ (58,422,520)</b>		<b>\$ 328,127,480</b>

- (1) Represents net income  
(2) Change in unrealized capital gains (losses), Change in net unrealized foreign exchange capital gain, Change in net deferred income tax, Change in non-admitted assets, Change in provision for reinsurance.  
(3) Capital infusion

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM  
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

Note 1:

Losses	\$430,942,966
Loss Adjustment Expenses	\$64,500,143

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Actuarial Principles and Standards of Practice and Statutory Accounting Principles, including NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 55 (SSAP No. 55).

**SUBSEQUENT EVENTS**

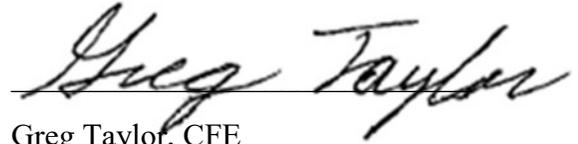
Effective January 1, 2022 the Company terminated the intercompany pooling agreement with EAIC and ERSAC. Effective January 1, 2022, EAIC, EASIC, ERSAC, LIC, BSIC, SAIC and SAFM entered into a new pooling agreement with EAC. Under the terms of the agreement all intercompany reinsurance agreements among the ceding companies including the previous Pool will be novated to EAC and EAC will assume all policies issued or assumed by the ceding companies from and after the effective shall automatically and obligatory cede to EAC.

**SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

The assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Greg Taylor".

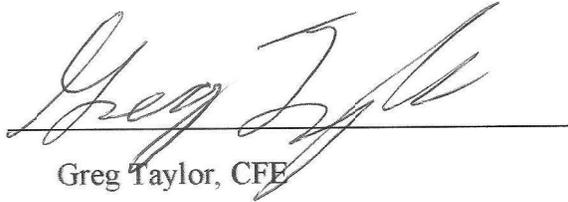
Greg Taylor, CFE  
Examiner In-Charge  
State of Delaware

A handwritten signature in cursive script that reads "Anthony C. Cardone".

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Anthony Cardone, CPA, CFE  
Supervising Examiner  
State of Delaware

I, Greg Taylor, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.018.



Greg Taylor, CFE